

ATHLETIC DEPARTMENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED JANUARY 11, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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	Page
Independent Accountant's Report on the Application of Agreed-Upon Procedures	3
	Statement
Financial Statement - Statement of Revenues and Expenses (Unaudited)..... A	11
Notes to the Financial Statement (Unaudited)	13



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December 13, 2005

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

DR. STEPHEN T. HULBERT, PRESIDENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Thibodaux, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of Nicholls State University (university), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Nicholls State University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 for the year ended June 30, 2005. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of management of Nicholls State University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. University management is responsible for the Statement (unaudited) and related notes (unaudited) and compliance with NCAA requirements.

Our procedures and associated findings are as follows:

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and regulations, and other information we considered necessary for the year ended June 30, 2005. We also verified the mathematical accuracy of the amounts on the Statement and agreed the amounts to supporting schedules provided by the university and/or the university's general ledger.

We found no exceptions as a result of these procedures.

2. We obtained an understanding and tested the specific elements of the control environment and accounting systems that are unique to the university's intercollegiate athletics program.

We detected no deficiencies in the control environment and accounting systems of the university's intercollegiate athletics department as a result of these procedures.

3. We inquired of management about the involvement of the university's internal auditor in the intercollegiate athletics program and we obtained reports issued by the internal auditor to support that auditor's involvement.

During the fiscal year ended June 30, 2005, the internal auditor issued one internal audit report on the athletic department.

On June 13, 2005, an internal audit report titled, "NCAA Compliance - Student-Athlete Eligibility," was issued on an internal audit conducted to determine whether the athletic department had policies and procedures in place to determine and monitor student-athlete eligibility, as required by NCAA legislation. The internal audit concluded that the athletic department has the necessary policies and procedures in place.

4. We compared each operating revenue and expense account for the intercollegiate athletics program recorded in the university's general ledger for June 30, 2004, and June 30, 2005, to identify variances of 5% or greater than \$50,000 for all individual revenue and expense accounts that are 5% or more of the total.

As a result of our procedure, we identified variances of 5% or greater than \$50,000 in the following revenue and expense accounts that are 5% or more of the total:

Revenues

Education and general transfers
Guarantees
NCAA receipts
In-kind contributions
Outside funds

Expenses

Personal services - related benefits
Travel
Operating services
Supplies
Other charges

5. We compared the budgeted revenues and expenses to actual revenues and expenses recorded in the university's general ledger for the year ended June 30, 2005, to identify any variances of 25% or greater in individual revenue and expense accounts that are 5% or more of the total.

As a result of our procedures, we identified variances of 25% or greater between budget and actual amounts in the following revenue accounts that are 5% or more of the total:

Revenues

In-kind contributions

Outside funds

Miscellaneous

**MINIMUM AGREED-UPON PROCEDURES
FOR REVENUES**

6. We obtained the football, baseball, and men's basketball game statements for all home games and compared the amounts reported to the revenue recorded in the general ledger and reported on the statement of revenues and expenses. We randomly selected one cash receipts batch sheet of the ticket sales category and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

7. On a sample basis, for the football, baseball, and men's basketball away games with game guarantee settlements we agreed the amounts recorded in the general ledger to the contractual agreements. The settlement reports for the games tested were recalculated.

We found no exceptions as a result of this procedure.

8. We inquired as to the university's participation in revenues from football post-season activity during the period to obtain and inspect related agreements and gain an understanding of relevant terms and conditions.

The university did not have any football post-season activity during the period.

We selected one operating revenue receipt from the NCAA/Conference distributions category and agreed it to adequate supporting documentation.

We found no exceptions as a result of this procedure.

9. We inquired as to the university's participation in revenues from broadcasts, television, radio, and Internet rights during the period to obtain and inspect agreements and gain an understanding of relevant terms and conditions.

The university did not have any revenues from broadcasts, television, radio, and Internet rights during the period.

10. We selected two operating revenue receipts from the program sales, concessions, novelty sales, and parking category and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

11. We obtained and inspected agreements related to the university's participation in revenues from royalties, advertisements, and sponsorships during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and/or the Statement and recalculated the totals.

We found no exceptions as a result of this procedure.

12. We reviewed selected transactions for the women's basketball camps and the soccer camps, as well as the camps' participant lists, and agreed the information to the athletic department's ledger.

We found no exceptions as a result of this procedure.

13. We selected one operating revenue receipt from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

14. We determined that the educational and general amount transferred to the athletic department by the university was in accordance with the Board of Regents policy.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

15. We selected a sample of seven athletic scholarship expense transactions from the general ledger. We identified the students included in the seven transactions and obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account.

We found no exceptions as a result of this procedure.

16. We selected the football, baseball, and men's basketball games with game guarantee expenses and agreed the amounts to the general ledger and to the contractual agreements. We recalculated the settlement reports for the games tested.

We found no exceptions as a result of this procedure.

17. We obtained from management a list of coaches and support staff/administrative personnel paid by the university and paid by third parties. We examined the contracts for the head coaches from football, baseball, and men's and women's basketball, and we selected the three highest paid support staff/administrative personnel. The following procedures were performed:
- (a) We compared and agreed the financial terms and conditions to the related coaching salaries, benefits, and bonuses recorded by the university and related entities in the Statement and to the related other compensation and benefits paid by a third party and recorded by the university in the Statement.
 - (b) We obtained and inspected W-2s and 1099s for each selection.
 - (c) We compared and agreed related W-2s and 1099s for each selection to the amounts recorded by the university in the Statement during the reporting period.

We found no exceptions as a result of these procedures.

18. We inquired about any coaches' salaries paid by third parties during the reporting period to obtain and inspect a listing of coaches' salaries and compare and agree the financial terms and conditions of selected coaching salaries, benefits, and bonuses recorded by the university.

None of the coaches' salaries are paid by third parties.

19. Using a list prepared by the university, we selected the athletic employee with the highest severance payment, agreed the severance pay to the related termination letter or employment contract, and recalculated the total.

We found no exceptions as a result of this procedure.

20. We obtained and documented an understanding of the university's recruiting expense policies. We compared and agreed them to existing university and NCAA related policies. We selected four recruiting expenses and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

21. We obtained an understanding of the university's team travel policies. We compared and agreed them to existing university and NCAA related policies. We selected 10 team travel expenses and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

22. We selected two operating expense transactions from the equipment, uniforms, and supplies category and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

23. We selected four operating expenses from the direct facilities, maintenance, and rental categories and agreed them to adequate supporting documentation.

We found no exceptions as a result of this procedure.

24. We inquired about expenses incurred by spirit groups for travel.

The university incurred no travel expenses related to spirit groups during the fiscal year.

25. We selected six operating expenses from the other operating expense category and agreed them to adequate supporting documentation.

We found no exceptions as a result of this procedure.

26. We selected one operating expense from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

27. We determined that the amount charged to the athletic department by the university for its share of university services was charged in accordance with university policy.

MINIMUM AGREED-UPON PROCEDURES FOR NOTES AND DISCLOSURES

28. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constitute more than 10% of the total contributions. None of the contributions exceeded 10% of the total, except those received from the Nicholls State University Foundation.

29. We obtained and reviewed a schedule of total intercollegiate athletics capitalized assets, additions, deletions, and improvements of facilities by type along with a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets.

30. We agreed the capital asset schedule to the university's and/or affiliated and outside organizations' general ledger. We selected any capitalized addition that was greater than 10% of total capital additions and agreed recorded cost to adequate supporting documentation.

We found no exceptions as a result of this procedure.

31. We agreed the capitalized asset amounts in the notes to the university's general ledger.

We found no exceptions as a result of this procedure.

32. We inquired as to the repayment schedules for all outstanding intercollegiate athletics debt maintained by the university during the reporting period.

The university did not maintain any debt related to intercollegiate athletics during the period.

**MINIMUM AGREED-UPON PROCEDURES FOR
AFFILIATED AND OUTSIDE ORGANIZATIONS**

33. We obtained written representation from management of the university that the Nicholls State University Foundation was the only outside organization created for or on behalf of the athletic department.

34. We obtained from management a summary of revenues and expenses for or on behalf of the university's intercollegiate athletics program by the Nicholls State University Foundation to be included with the agreed-upon procedures report. We obtained written representations as to the fair presentation of the summary and agreed the amounts reported to the organization's and university's general ledgers.

We found no exceptions as a result of this procedure.

Revenues

Contributions	\$110,713
Total revenues	<u>110,713</u>

Expenses

Equipment, uniforms, and supplies	48,201
Other operating expenses	<u>62,512</u>
Total expenses	<u>110,713</u>

EXCESS OF REVENUES OVER EXPENSES

NONE

35. We obtained an understanding and tested the procedures used by the university to gather information on the nature and extent of affiliated and outside organizational activity for or on behalf of the university's intercollegiate athletics program.

We found no deficiencies in the design of the university's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the university's intercollegiate athletics program.

36. For all outside organizations that had an independent audit, we obtained the independent accountant's report to identify any reportable conditions relating to the outside organization's internal controls, to make inquiries of management, and to document any corrective action taken in response to the reportable condition.

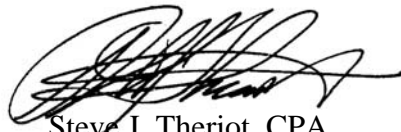
The financial statements of the Nicholls State University Foundation, Incorporated, were audited by an independent certified public accounting firm for the year ended June 30, 2005. The audit report is dated October 10, 2005, and included no reportable conditions relating to the outside organization's internal controls.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenses of the Nicholls State University Athletic Department. Accordingly, we do not express such an opinion. Also, we express no opinion on Nicholls State University's internal control over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

In a Public Infraction Report dated May 10, 2005, the NCAA imposed several penalties, which included four years of probation on Nicholls State University for several major violations of NCAA regulations. Specific information on the NCAA violations and penalties are available in the Public Infraction Report, which is available on the NCAA's Web site at www.NCAA.org.

This report is intended solely for the information and use of the president of Nicholls State University and is not intended to be, and should not be, used by anyone other than the president. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", is written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

KML:JR:PEP:dl

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**ATHLETIC DEPARTMENT
NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues and Expenses
For the Year Ended June 30, 2005**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating Revenues:						
Ticket sales	\$69,002	\$11,394	\$8,753	\$28,313		\$117,462
Guarantees	60,000	175,000	29,000	1,500		265,500
Contributions	12,293	19,792	10,664	69,127	\$301,415	413,291
Direct institutional support					2,572,982	2,572,982
NCAA/Conference distributions including all tournament revenues			1,035		249,871	250,906
Program sales, concessions, novelty sales, and parking	6,165	1,195	1,056	3,424	488	12,328
Sports camp revenues			873	621		1,494
Other	31,343			21	12,065	43,429
Subtotal Operating Revenues	178,803	207,381	51,381	103,006	3,136,821	3,677,392
EXPENSES						
Operating Expenses:						
Athletic student aid	390,413	77,003	89,788	401,336	30,311	988,851
Guarantees	25,000	5,000	3,500	3,000		36,500
Coaching salaries, benefits, and bonuses paid by the university and related entities	302,969	135,793	113,385	349,079		901,226
Support staff/administrative salaries, benefits and bonuses paid by the university and related entities	35,599	1,353	1,241	5,200	707,007	750,400
Severance payments	16,110	6,064	3,704	13,657	5,615	45,150
Recruiting	25,418	13,032	12,039	18,409	798	69,696
Team travel	76,657	29,273	26,357	120,382	2,586	255,255
Equipment, uniforms, and supplies	25,730	8,957	10,183	48,772	67,554	161,196
Game expenses	14,560	23,800	15,892	23,631	5,035	82,918
Fund raising, marketing, and promotion			50	160	23,164	23,374
Medical expenses and medical insurance					8,063	8,063
Memberships and dues		550	580	880	2,154	4,164
Other operating expenses	17,836	10,813	10,029	28,895	242,516	310,089
Subtotal Operating Expenses	930,292	311,638	286,748	1,013,401	1,094,803	3,636,882
EXCESS (Deficiency) OF REVENUES OVER EXPENSES	(\$751,489)	(\$104,257)	(\$235,367)	(\$910,395)	\$2,042,018	\$40,510

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1. CONTRIBUTIONS

No individuals or outside organizations, other than the Nicholls State University Foundation, contributed monies, goods, or services for or on behalf of the athletic department that exceeded 10% of the total contributions included in Statement A.

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. All departments within the university follow standardized policies and procedures established by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets. The university has no debt associated with its athletic department's capital assets.

Capital asset activity for the Athletic Department for the year ended June 30, 2005, is as follows:

	Balance June 30, 2004	Additions	Balance June 30, 2005
Land improvements	\$735,780		\$735,780
Less - accumulated depreciation	(295,658)	(\$29,337)	(324,995)
Total land improvements	440,122	(29,337)	410,785
Buildings	2,778,927		2,778,927
Less - accumulated depreciation	(2,074,017)	(69,473)	(2,143,490)
Total buildings	704,910	(69,473)	635,437
Equipment	776,876		776,876
Less - accumulated depreciation	(309,472)	(61,812)	(371,284)
Total equipment	467,404	(61,812)	405,592
Total capital assets	<u>\$1,612,436</u>	<u>(\$160,622)</u>	<u>\$1,451,814</u>
Capital Asset Summary:			
Capital assets, at cost	\$4,291,583		\$4,291,583
Less - accumulated depreciation	(2,679,147)	(\$160,622)	(2,839,769)
Capital assets, net	<u>\$1,612,436</u>	<u>(\$160,622)</u>	<u>\$1,451,814</u>

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